

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

April 4, 2003

IN RE:

NASHVILLE GAS COMPANY APPLICATION FOR  
APPROVAL OF A NEGOTIATED GAS REDELIVERY  
AGREEMENT WITH BRIDGESTONE/FIRESTONE

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DOCKET NO.  
02-01271

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ORDER APPROVING AMENDMENT TO  
NEGOTIATED GAS REDELIVERY AGREEMENT

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This matter came before Chairman Sara Kyle, Director Deborah Taylor Tate, and Director Ron Jones of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on February 18, 2003, upon the application (the "*Application*") of Nashville Gas Company ("Nashville Gas" or the "Company") for approval of an amendment extending and revising the Negotiated Gas Redelivery Agreement (the "Agreement") under which Nashville Gas provides natural gas service to Bridgestone/Firestone.

**Nashville Gas's Application**

Nashville Gas filed its *Application* on November 27, 2002. As stated in the *Application*, by Order issued January 22, 1999 in Docket No. 98-00339, the Authority approved the provision of natural gas service by Nashville Gas to Bridgestone/Firestone pursuant to the Agreement through December 31, 2002.<sup>1</sup> The *Application* further states that the underlying justification for the

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<sup>1</sup> See *In re: Nashville Gas Company Application for Approval of Negotiated Gas Redelivery Agreement with Bridgestone/Firestone*, Docket No. 98-00339, *Order Approving Application* (January 22, 1999); see also *In re: Nashville Gas Company Application for Approval of Negotiated Gas Redelivery Agreement with State Industries*, Docket No. 98-00338, and *In re: Nashville Gas Company Application for Approval of Negotiated Gas Redelivery Agreement with Bridgestone/Firestone*, Docket No. 98-00339, *Initial Order of Hearing Officer* (June 9, 1999) ("June 9, 1999 Initial Order").

Authority's approval of the Agreement was the threat of bypass, a condition that persists in the ongoing provision of service to Bridgestone/Firestone.<sup>2</sup> The *Application* states that due to the expiration of the Agreement and the ongoing threat of bypass by this customer, Nashville Gas and Bridgestone/Firestone have negotiated an extension of the term of the Agreement and have executed an amendment to the Agreement incorporating this extension. The amendment, agreed to by Nashville Gas and Bridgestone/Firestone on November 21, 2002, extends the term of the Agreement until December 31, 2005, with one-year extensions thereafter.

At a regularly scheduled Authority Conference held on December 16, 2002, the panel voted unanimously to allow the amendment to go into effect temporarily for ninety days to allow additional time for the Authority to determine whether a threat of imminent bypass continues to exist that would justify the amendment extending this special contract.<sup>3</sup>

### **Findings and Conclusions**

The *Application* and the Company's responses to data requests indicate that the conditions supporting approval of the Agreement in Docket No. 98-00339 are still present and continue to support a finding that bypass by Bridgestone/Firestone is feasible and therefore that a special contract between the Company and Bridgestone/Firestone is appropriate. Bridgestone/Firestone's facility is approximately 20,000 feet from a direct connection with the Texas Eastern pipeline.

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<sup>2</sup> See June 9, 1999 Initial Order, p. 3-4, which states:

In addition, the Authority has permitted gas utilities on a case by case basis to avoid threatened economic by-pass from large industrial customers by permitting the utility to negotiate a lower rate with those customers threatening such by-pass. The later practice results in special contracts being offered pursuant to Tenn. Comp. R. & Regs. R. 1220-4-1-.07. Specifically, this rule permits utilities to negotiate different rates for customers that are not provided for in general tariffs, schedules or rules. In both cases, however, the utility is able to avoid the loss of customers and the related contribution of margin. As a result, both the utility and its rate payers benefit.


<sup>3</sup> In *In re: Petition of Chattanooga Gas Company for Approval of Large Customer Contract Under Experimental Rule with Archer Daniels Midland Co.*, Docket No. 97-00262, the Authority applied four criteria for approval of a discounted long-term gas transportation service contract for the purpose of avoiding system bypass. The Authority derived these criteria from an Experimental Rule approved for Chattanooga Gas Company, pursuant to which "the Authority must find that: customer bypass is imminent, such bypass would be uneconomic; the contract rates and terms are not unduly preferential or unduly discriminatory; and that the contract rates are the highest that could be negotiated." *Order Disapproving Special Contract Under the Large Customer Contracts Tariff*, Docket No. 97-00262, p. 5 (March 17, 1998).

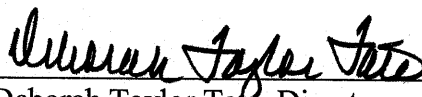
Although Bridgestone/Firestone has not acquired permits or other information regarding connection to this pipeline, Bridgestone/Firestone indicated to Nashville Gas that it is prepared to initiate an immediate bypass if it is not able to negotiate an extension to the Agreement. Thus, the rationale for approval stated in the Authority's January 22, 1999 Order in Docket No. 98-00339 continues to apply.

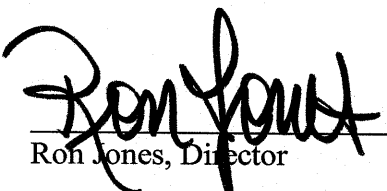
During the February 18, 2003 Authority Conference, upon careful consideration of the *Application* and of the entire record in this matter, the panel voted unanimously to approve the *Application*, with the condition that upon expiration of the extended term of the Agreement on December 31, 2005, Nashville Gas and Bridgestone/Firestone shall submit each succeeding one-year extension of the Agreement to the Authority for approval.

**IT IS THEREFORE ORDERED THAT:**

1. The *Application* of Nashville Gas Company for approval of a revised Gas Redelivery Agreement with Bridgestone/Firestone is approved with the condition that upon expiration of the extended term of the Agreement on December 31, 2005, Nashville Gas and Bridgestone/Firestone shall submit each succeeding one-year extension of the Agreement to the Authority for approval.
2. Any party aggrieved with the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within fifteen (15) days from the date of this Order.

  
Sara Kyle, Chairman

  
Deborah Taylor Tate, Director

  
Ron Jones, Director